

BOARD ACTION MEMORANDUM

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| TO: | NCUA Board | DATE: | November 27, 2002 |
| FROM: | Regional Director Jane A. Walters | SUBJ: | Conversion to Community Charter Security 1st Federal Credit Union McAllen, Texas |

ACTION REQUESTED: NCUA Board approval of the requested community field of membership conversion by Security 1st Federal Credit Union, Charter Number 5547, Assets \$124.4 million.

DATE ACTION REQUESTED: December 19, 2002

OTHER OFFICES CONSULTED: Examination and Insurance, General Counsel

VIEWS OF OTHER OFFICES CONSULTED: concur

BUDGET IMPACT, IF ANY: None

RESPONSIBLE STAFF PERSON: RD Jane A. Walters, ARD-O Keith Morton, Insurance Director Robert J. LeConte, Sr. Insurance Analyst Daniel P. Apgar.

SUMMARY: Interpretive Ruling and Policy Statement (IRPS) 99-1, as amended, permits a single or multiple common bond credit union to convert to a community field of membership. The credit union provided documentation supporting the application for a conversion to a community credit union in compliance with IRPS 99-1 as amended.

The proposed community includes those persons who live, work, worship, or attend school in and businesses and other legal entities located within Cameron, Hidalgo, Starr or Willacy Counties, Texas. The proposed community is a well-defined area, clearly distinguishable from the surrounding area. Population of the proposed area is 978,369 (2000 U.S. Census).

The credit union provided ample evidence that the proposed area constitutes a community in which residents interact, including but not limited to trade center status, traffic flow, shared facilities, common organizations, and entertainment options.

The credit union also prepared a detailed business and marketing plan outlining management's strategy to provide affordable, quality credit union service to the entire community through its five existing facilities, two planned facilities and mass marketing via radio and newspaper. Furthermore, the last examination revealed no material deficiencies and recent financial trends exhibit a safe and sound institution. Additionally, both the Supervisory Examiner and the District Examiner recommend approval of the community charter.

CONCLUSION: Based on the evidence submitted, we find the proposed service area to be a single, well-defined area where residents interact, and it is recognized as a distinct community.

RECOMMENDED ACTION: I have considered the facts of this case, and conclude the application meets the requirements of Interpretive Ruling and Policy Statement 99-1 as amended. Therefore, Board approval of Security 1st Federal Credit Union's application to convert to community charter serving persons who live, work, worship, or attend school in and businesses and other legal entities located within Cameron, Hidalgo, Starr or Willacy Counties, Texas is recommended.

Jane A. Walters, Regional Director